
AGENCY OVERVIEW**485 Workforce Safety and Insurance**

Date: 12/23/2014**Time:** 13:02:01**Statutory Authority**

North Dakota Century Code Title 65.

Agency Description

Workforce Safety and Insurance (WSI) was established in 1919 as an exclusive state fund for workers compensation insurance. Today, North Dakota is one of four remaining monopolistic workers compensation systems in the United States. The others are Ohio, Washington, and Wyoming. WSI functions as the sole provider of workers compensation insurance in the state of North Dakota. There are no provisions for self-insurance or private insurance for purposes of workers compensation. If a business has significant contacts in North Dakota, they must insure with WSI. Claims for occupational injury and disease are filed with WSI and adjudicated by in-house agency claims analysts. WSI services approximately 25,000 employers with a covered workforce of approximately 420,000 workers. WSI processes approximately 26,000 new claims per year.

Agency Mission Statement

WSI's mission statement is to care for injured workers.

- WSI's core values are: Loyal, Caring, Forthright.
- WSI's Strategic Anchors include: Exceptional People, Exceptional Service, Financial Stability.
- WSI's vision is a safe, secure and healthy North Dakota workforce.

Agency Performance Measures

WSI maintains numerous measurements which are monitored by WSI's management and Board of Directors. Some of the global performance indicators are:

- Injured Worker Customer Satisfaction
- Employer Customer Satisfaction
- Claim Incident Rates
- Fiscal Year Combined Ratio—(Premiums set to cover anticipated losses and expenses)
- Available Surplus Ratio

Major Accomplishments

1. Remained financially stable and declared a 39 percent dividend credit in June 2014 as surplus levels exceeded the statutory limit. Dividend credits of over \$850.0 million have been granted to policyholders over nine of the past ten years.
2. Continued to enhance benefit levels in recent legislative sessions. North Dakota's benefit structure is set by statute and compares very favorably to other jurisdictions.
3. Continued to offer among the lowest premium rates in the nation, and have remained stable with small inflationary increases.
4. Experienced a low incidence of time-loss claims accounting for only 13 percent of the total claims in North Dakota compared to 20 percent in many other jurisdictions. North Dakota employees have a good work ethic and if injured, want to get back to work. WSI's Return to Work programs greatly enhance these efforts.
5. Continued to provide and enhance policyholder safety and loss control programs, helping both employers and employees recognize and correct safety hazards. In June 2012 the WSI Board of Directors earmarked an additional \$15.0 million in fund surplus to be allocated toward multi-year safety education and grant programs.
6. Continued to maintain a low administrative expense ratio below 10 percent for Fiscal Year 2014. Workers' compensation industry expense ratios typically range between 25 percent and 35 percent. As a monopolistic workers compensation agency, North Dakota does not incur marketing expense, broker fees, tax expense or other fees typically incurred by private workers compensation insurers.
7. Maintained a low litigation average. Overall litigation requests represent less than one percent of total claims filed.
8. Maintained schedule of asset allocation studies, implementing a new asset allocation strategy.
9. Developed a Servant Leadership Program with a team atmosphere throughout the agency.

Future Critical Issues

Some of WSI's future critical issues include:

- The increased economic activity within the state has resulted in increased staff workloads. Managing the increased workloads with existing staffing levels has been a significant challenge while at the same time trying to maintain an appropriate level of service.

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- Claim processing is becoming more complex. Claims with out of state addresses account for approximately 23 percent of all claims. Managing the medical and return to work for out of state claims and working with out of state medical providers requires additional time and resources.
- WSI strives to ensure employers maintain a continued focus on safety in a low premium/high dividend environment.
- WSI is in the midst of researching a new claims and policy system. The existing challenge is to find a successful solution.

REQUEST SUMMARY

485 Workforce Safety and Insurance
Biennium: 2015-2017

Bill#: SB2021

Date: 12/23/2014

Time: 13:02:01

Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
By Major Program					
Executive and Other Services	7,197,411	12,434,833	(2,858,162)	9,576,671	1,062,000
Administrative Services	14,404,881	18,108,148	(6,113,558)	11,994,590	5,044,000
Injury Services	20,584,598	23,277,621	3,699,626	26,977,247	2,245,230
Employer Services	7,799,281	9,501,820	1,158,411	10,660,231	446,069
Total Major Program	49,986,171	63,322,422	(4,113,683)	59,208,739	8,797,299
By Line Item					
Accrued Leave	0	1,662,965	(1,662,965)	0	0
Workforce Safety Operations	49,986,171	60,909,457	(1,700,718)	59,208,739	8,797,299
Litigation Contingency	0	750,000	(750,000)	0	0
Total Line Items	49,986,171	63,322,422	(4,113,683)	59,208,739	8,797,299
By Funding Source					
General Fund					
Federal Funds					
Special Funds	49,986,171	63,322,422	(4,113,683)	59,208,739	8,797,299
Total Funding Source	49,986,171	63,322,422	(4,113,683)	59,208,739	8,797,299
Total FTE	247.14	250.14	0.00	250.14	19.00

REQUEST DETAIL

485 Workforce Safety and Insurance
Biennium: 2015-2017

Bill#: SB2021

Date: 12/23/2014

Time: 13:02:01

Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Accrued Leave					
Salaries - Permanent	0	1,662,965	(1,662,965)	0	0
Total	0	1,662,965	(1,662,965)	0	0
Accrued Leave					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	1,662,965	(1,662,965)	0	0
Total	0	1,662,965	(1,662,965)	0	0
Workforce Safety Operations					
Salaries - Permanent	26,435,742	28,061,804	2,110,558	30,172,362	1,537,224
Salaries - Other	0	0	0	0	500,000
Temporary Salaries	818,778	1,492,611	2,136,898	3,629,509	0
Overtime	30,340	0	22,800	22,800	0
Fringe Benefits	9,944,237	11,427,630	753,883	12,181,513	760,075
Travel	669,579	1,206,125	(30,105)	1,176,020	0
Supplies - IT Software	384,318	2,484,205	(1,971,008)	513,197	1,000,000
Supply/Material-Professional	249,502	342,270	54,285	396,555	0
Food and Clothing	2,997	0	0	0	0
Bldg, Ground, Maintenance	3,253	0	0	0	0
Miscellaneous Supplies	52,876	122,530	29,125	151,655	0
Office Supplies	54,023	218,762	(3,962)	214,800	0
Postage	559,361	693,512	98,128	791,640	0
Printing	206,326	256,893	(15,043)	241,850	0
IT Equip Under \$5,000	263,491	393,000	(141,000)	252,000	0
Other Equip Under \$5,000	9,790	0	(8,200)	(8,200)	0
Office Equip & Furn Supplies	422,699	15,800	0	15,800	0
Utilities	16,194	0	0	0	0
Insurance	27,898	0	0	0	0
Rentals/Leases-Equip & Other	105,326	117,671	(26,087)	91,584	0
Rentals/Leases - Bldg/Land	773,682	929,636	141,512	1,071,148	0
Repairs	166,885	0	0	0	0
IT - Data Processing	1,356,931	1,927,500	(254,748)	1,672,752	0
IT - Communications	577,012	618,666	16,996	635,662	0
IT Contractual Svcs and Rprs	4,677,623	6,342,150	(4,689,150)	1,653,000	4,000,000
Professional Development	381,182	904,742	(222,537)	682,205	0
Operating Fees and Services	422,500	320,054	337,808	657,862	0
Fees - Professional Services	849,292	3,033,896	(40,871)	2,993,025	1,000,000
Other Capital Payments	448,769	0	0	0	0

REQUEST DETAIL

485 Workforce Safety and Insurance
Biennium: 2015-2017

Bill#: SB2021

Date: 12/23/2014

Time: 13:02:01

Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Equipment Over \$5000	75,565	0	0	0	0
Total	49,986,171	60,909,457	(1,700,718)	59,208,739	8,797,299
Workforce Safety Operations					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	49,986,171	60,909,457	(1,700,718)	59,208,739	8,797,299
Total	49,986,171	60,909,457	(1,700,718)	59,208,739	8,797,299
Litigation Contingency					
Fees - Professional Services	0	750,000	(750,000)	0	0
Total	0	750,000	(750,000)	0	0
Litigation Contingency					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	750,000	(750,000)	0	0
Total	0	750,000	(750,000)	0	0
Funding Sources					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	49,986,171	63,322,422	(4,113,683)	59,208,739	8,797,299
Total Funding Sources	49,986,171	63,322,422	(4,113,683)	59,208,739	8,797,299

CHANGE PACKAGE SUMMARY485 Workforce Safety and Insurance
Biennium: 2015-2017

Bill#: SB2021

Date: 12/23/2014

Time: 13:02:01

Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
<u>Base Budget Changes</u>						
One Time Budget Changes						
A-E 2 Remove 1 time prior biennium		0.00	0	0	(5,475,000)	(5,475,000)
Total One Time Budget Changes		0.00	0	0	(5,475,000)	(5,475,000)
Ongoing Budget Changes						
A-A 1 Budget request change		0.00	0	0	(1,999,857)	(1,999,857)
Base Payroll Change		0.00	0	0	3,361,174	3,361,174
Total Ongoing Budget Changes		0.00	0	0	1,361,317	1,361,317
Total Base Budget Changes		0.00	0	0	(4,113,683)	(4,113,683)
<u>Optional Budget Changes</u>						
One Time Optional Changes						
A-D 3 Funding for Computer Software Replacement Projec	2	0.00	0	0	5,000,000	5,000,000
A-D 5 Litigation cost for computer system lawsuit	5	0.00	0	0	1,000,000	1,000,000
Total One Time Optional Changes		0.00	0	0	6,000,000	6,000,000
Ongoing Optional Changes						
A-C 7 High priority Temp to FTE conversion	3	6.00	0	0	878,474	878,474
A-C 6 Move temporary employee to FTE status	4	13.00	0	0	1,418,825	1,418,825
A-C 100 Equity	6	0.00	0	0	500,000	500,000
Total Ongoing Optional Changes		19.00	0	0	2,797,299	2,797,299
Total Optional Budget Changes		19.00	0	0	8,797,299	8,797,299

BUDGET CHANGES NARRATIVE**485 Workforce Safety and Insurance****Bill#: SB2021****Date:** 12/23/2014**Time:** 13:02:01

Change Group: A	Change Type: A	Change No: 1	Priority: 1
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Budget request change

This is the change package for all adjustments of the base expenses from the 13-15 biennium to the 15-17 biennium.

Change Group: A	Change Type: C	Change No: 6	Priority: 4
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Move temporary employee to FTE status

Currently, WSI has 37 temporary positions. Four of these positions are vacant and currently being advertised. Of these 37 positions, WSI would like to convert 13 to FTE's. These 13 FTE's are identified as FTE # 1-6 and FTE # 13-19. WSI is currently providing additional wages to these temporary employees to help compensate for the lack of benefits. The additional amount that would be required to convert these 13 temporary positions to FTE's has been calculated and is included as a lump sum amount under each of the temporary positions.

WSI has these 13 positions included in their budget request both as on-going temporary positions and as new FTE requests. If the FTE's are granted, the funding for these 13 TEMP employees may be removed from the budget request.

Change Group: A	Change Type: C	Change No: 7	Priority: 3
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High priority Temp to FTE conversion

WSI anticipates the need to add six additional positions. WSI has experienced difficulty filling these positions with temporary employees and is requesting an additional six FTE's be granted to WSI. These higher priority FTE's are identified by FTE # 7-12. WSI is including a request for temporary employees for these six positions in the budget as well, in case the FTE's are not granted. If the FTE's are granted, the funding request for the Temp Employees (# 33-38) may be removed.

WSI is also requesting thirteen of their current temporary employees be converted to FTE's. Due to the uniqueness of WSI's work, training for these positions requires significant time. In ND's current work environment, it is difficult to retain employees without benefits.

This change package identifies the six most significant positions that require new FTE's.

Change Group: A	Change Type: C	Change No: 100	Priority: 6
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Equity

Equity dollars are used to cover promotions when employees gain certifications, acquire additional responsibilities or positions change. Equity dollars are also used to retain employees in the current competitive environment.

Change Group: A	Change Type: D	Change No: 3	Priority: 2
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Funding for Computer Software Replacement Project

BUDGET CHANGES NARRATIVE**485 Workforce Safety and Insurance****Bill#: SB2021****Date:** 12/23/2014**Time:** 13:02:01

Funding for Computer Replacement Project

This change package contains WSI's best estimate of funding that may be required to move forward with a computer replacement project during the 15-17 biennium. WSI is currently working with Major Oak to review its business process modeling as advised by the Executive Steering Committee. Major Oak is compiling the costs of various options available to WSI for moving forward. This information should be available in September 2014.

Change Group: A	Change Type: D	Change No: 5	Priority: 5
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Litigation cost for computer system lawsuit

This change package identifies funding that may be required during the 2015-17 biennium to continue litigation with AON regarding the failure of the computer replacement system.

Change Group: A	Change Type: E	Change No: 2	Priority: 7
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Remove 1 time prior biennium

Change Group: A	Change Type: E	Change No: 4	Priority: 8
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IT budget change with one time prior removal

Change Group: R	Change Type: A	Change No: 1	Priority:
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High priority FTE's

Provides an additional 6.00 FTE. The positions would be for nursing case managers, voc case managers, an underwriter and a physical therapist. Because of the types of positions these are WSI has experienced difficulty filling these positions with temporary employees.

Change Group: R	Change Type: A	Change No: 2	Priority:
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Move temps to FTE

Provides an additional 6.00 FTE. These positions are currently being filled by full-time temps. WSI is currently providing additional wages to these temporary employees to help compensate for the lack of benefits.

Change Group: R	Change Type: A	Change No: 100	Priority:
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Executive Compensation Package Adjustment

Provides funding for recommended 2015-17 compensation adjustments.

Change Group: R	Change Type: B	Change No: 1	Priority:
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Computer Software Replacement

BUDGET CHANGES NARRATIVE**485 Workforce Safety and Insurance****Bill#: SB2021****Date:** 12/23/2014**Time:** 13:02:01

Provides one-time authority for the WSI computer replacement project. This is based on the cost estimate that WSI received from Major Oak. This number also includes consultant fees.

Change Group: R	Change Type: B	Change No: 2	Priority:
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Litigation for system lawsuit

Provides funding that may be required during the 2015-17 biennium to continue litigation with AON regarding the failure of the computer replacement system.